

**Remarks by the Hon. Neil Le Blanc
Nova Scotia Minister of Finance
Metropolitan Halifax Chamber of Commerce
March 19, 2002**

Madame President, Chamber Members, Special Guests, Ladies and Gentlemen:

My sincere thanks to the Metropolitan Chamber of Commerce for today's opportunity to discuss the province's fiscal situation, our challenges, and our hopes for the future.

Ladies and gentlemen, it is my pleasure to inform you that on April 4, I will present a balanced budget for the 2002-2003 fiscal year to the House of Assembly and to the people of Nova Scotia. Earlier today I notified the two Opposition leaders that a budget date had been chosen.

On April 4, take a look at this budget and allow yourself to envision a fiscally stable province. Believe that it offers a better way of life for our children.

For the first time in 40 years, the province of Nova Scotia can boast a truly balanced budget. Not since 1962, has Nova Scotia had a budget in which current spending commitments are covered by current year's revenues. There are no separate accounts for special circumstances. This is an 'all-in' budget. Everything counted and accounted for. In fact, our balanced budget will be based on the most accurate and complete accounting applied anywhere in the nation.

This is a major accomplishment - and one that we can all be proud of because we will all play a part in its success. Keeping the budget balanced will involve each and every one of us. The challenges of maintaining a balanced budget - and your role in doing so - are what I want to address today.

My colleagues and I have made some tough decisions over the last couple of months, but if balancing the budget was easy, somebody would have done it before now!

In preparing this budget, our government wrestled with some very difficult choices. We've come face to face with the stark reality of our fiscal situation - and we've made our decisions. The Chamber has been vocal in its advice, and we have listened. You said reduce foreign exchange exposure. We have. We are well below 30 percent this year, compared to 51 percent, when we took office. You said get out of running businesses. We closed Sysco and sold NSRL- the two largest drains on the public purse. You said balance the budget. Ladies and gentlemen, on April 4th, we will.

But there is still much work to be done.

Balancing the budget is the first, and perhaps most important step, on the road to financial recovery.

To maintain that recovery, and build financial strength, budgets in this province have to stay in the black for years - more accurately - decades to come.

Forty years of accumulated deficits have resulted in an \$11.6 billion debt. Nova Scotia holds the dubious distinction of the highest debt per capita in the country, \$12,380 per person.

As well, we have the worst debt to GDP ratio in Canada, at about 48 per cent.

It costs you - the taxpayer - almost \$900 million a year just to pay the interest on that debt.

We hand over almost 20 per cent of our total revenue to banks headquartered in Toronto, New York and Tokyo for the privilege of carrying that \$11.6 dollar debt. That's roughly \$2.4 million every day that's not going to pay for new schools, better roads, or more medical staff. We'll spend more on debt servicing this year than we will on educating our children in public schools, and that's just not right.

Ladies and gentlemen, on the financial front, we've made significant progress. In less than three years, we have gone from a whopping \$500 million deficit, to a balanced budget. That's quite an achievement - but we can't let up now.

Think about your children. Isn't it every parent's dream to provide a better life for his or her children? Aren't we all working hard today to secure their future?

Our government has developed a debt management plan. We first need to ensure we produce surplus budgets so we can carry-through with the plan. Of course we're looking at a long-term debt reduction plan - even getting us to close to the national average of 25 percent debt to GDP, will take years. The problem wasn't created overnight and it won't be solved overnight, but we don't have time to waste.

Some of you may be surprised to realize that despite balancing the budget, our debt is continuing to grow. We still have to borrow new money for capital purchases. But unlike past years, we have made provisions to pay for our capital purchases.

Balancing the budget is the first important step. The next step is to reduce the debt.

Our government has accepted the responsibility to manage our way out of this mess. We are confident that right-thinking Nova Scotians will work with us on the solution.

The budget I bring down in just over two weeks will match current spending with current revenue. It will be a balance – a realistic balance – based on prudent revenue forecasts and sound spending estimates. It will be a balanced budget we can and will achieve. That's just the beginning.

Ladies and gentlemen, keeping the budget in the black next year, and the year after, and the year after that, requires a solution to the most pressing and vexing issue facing Canadians today. Health care. More specifically how to pay for it, and how to control its rapidly rising costs.

Year over year, health care costs have been growing six to 10 per cent in Nova Scotia. Health care consumes more than one third of our total budget. So those kinds of increases will get a finance minister's attention.

Part of the answer rests with Ottawa. The federal government funds health care at a lower level in 2002, than it did in 1992. (Some of you may have taken notice of the chart we placed in the lobby to illustrate this very issue. I invite all of you to take note of it on the way out.) We need a national solution to the health care funding crisis, and that means getting the federal government back to the table in a meaningful way.

The provincial government understands that the number one priority for Nova Scotians is health care. It's also our biggest challenge.

Without giving away any budget day secrets, I can tell you that we will continue to deliver quality health care to Nova Scotians. This government will increase the overall health budget by seven per cent next year. In dollar terms, that means another \$130 million to treat and care for people.

Let me say that again. Next year, we will increase the health budget by seven percent -- \$130 million. Yet we are already reading and hearing stories about health care cuts. And there will be more such stories in the days ahead. These stories are giving Nova Scotians a distorted view of reality.

And the reality is this: If government funded all of the additional requests brought to us this year from the various components of our health system, the health budget would increase, not by \$130, but by hundreds of millions of dollars. Now, I'm not maligning health care here today. Most of those added

costs might be considered legitimate, but not feasible. How on earth can we afford to spend hundreds of millions of dollars more on health care?

We could increase the sales tax from 15 to 20 per cent. That would almost cover the increase. We could charge a health care premium of \$500 for every man, woman and child in the province. That would cover it.

I'm making this point today, ladies and gentlemen, not to frighten anyone. But what I need to do as Finance Minister, and more importantly what we all need to do as Nova Scotians and Canadians, is to put our health care system and health care costs into context.

What are we willing to pay?

What can we afford to pay?

And what, therefore, is a safe, acceptable, quality level of service?

It is a national debate, and I truly hope Mr. Romanow sheds light on it.

I can tell you this: Canada's richest provinces - Ontario and Alberta -- cannot sustain their current health care systems without major change. How then, can Nova Scotians expect otherwise?

I have to repeat this over and over because it does not appear to be registering . . . the Nova Scotia government is not cutting the health budget.

We are increasing health spending by seven percent. Who among you wouldn't be concerned about a business expense increasing by seven per cent, or more, every year? Who among you wouldn't take steps to manage and control that cost?

That's what we are doing. In health care, we are making evidence-based decisions to manage costs. Yes, this does mean some programs and services will be reduced in some regions or at some hospitals. And that's what some folks are protesting.

The minister of health has given assurances to the people of Nova Scotia that hospitals will not close. But to ensure the viability of our health care systems, rationalization or consolidation of services will occur. It makes sense.

Ladies and gentlemen, compromise does not mean doing without - it means adjustment. I am asking you as community leaders to step up to the plate on this issue. It is time for our community leaders to speak

out on what makes sense in delivering reasonable, sustainable health care - and to acknowledge that compromise is necessary.

We must make compromises now on the way all government programs and services are managed.

Ladies and gentlemen, faced with the alternatives, which could mean eliminating services altogether, this is not unreasonable.

Next week we will announce a new fee schedule that will see increases in user fees for some services and cost recoveries on others. In Nova Scotia, the government has limited ability to increase revenues. Moving closer to full cost recovery for some of our programs and services is a reasonable option.

The demands on government are many. Our roads, schools and other public infrastructure are aging and deteriorating. Public sector workers in this province are demanding better pay. I've already spoken about what's happening in health care. And, in our province, where almost 20 cents of every dollar we take in is needed just to pay interest on the debt, our choices are limited.

Our first choice is, as it must be, to live within our means. Nova Scotians understand that. They do that in their own lives, and they expect their government to do the same. Nova Scotians also understand that it makes no sense to keep piling up debt, and ever higher interest payments. And, Nova Scotians know, above all, that it is morally wrong for our generation - to pass our debts - on to our children.

Ladies and gentlemen, there are many reasons for Nova Scotians to be optimistic today.

Our economy is looking better, and doing better than it was six months ago. Every day more Nova Scotians are leaving the ranks of the unemployed and going to work. We have been successful in attracting new business - and we will continue to make investments when and where it makes economic sense. We are fortunate to have a developing energy resource to help drive our economy. And Nova Scotians have a government committed to sound financial practices.

Nova Scotia is a wonderful place to live and work. A balanced budget, living within our means, will only make it better.

The right financial decisions today, no matter how difficult, will improve our options, and our children's options tomorrow. It is time to look to a more distant horizon. To ensure that in the years and generations to come, Nova Scotians are not restricted by a debt that robs them of one-fifth of their financial clout.

It is our moral responsibility to the next and future generations of Nova Scotians.

Ladies and gentlemen, getting to a place where spending and income meet has not been an easy climb . . . but the true test will come at the end of the 2002 - 2003 budget year, when we show that we've kept our promise. That will be the best legacy for our children.

Thank you.